

BUSINESS OPPORTUNITY

**For Lodging, Food & Beverage, Retail, and Other Services
within Zion National Park**

CC-ZION003-09

Department of the Interior

National Park Service

SUMMARY OF BUSINESS OPPORTUNITY

The purpose of this Summary is to provide a synopsis of the key elements of National Park Service (Service) Draft Concession Contract CC-ZION003-09 (Draft Contract), included in this Prospectus as Section IV, for the general concession operations at Zion National Park. In the event of any inconsistency between the terms of the Draft Contract and this Summary, the Draft Contract will prevail.

Nature of the Business and Services Provided

The Business Opportunity section of this Prospectus describes the commercial visitor services required within the Draft Contract. The following visitor services are required:

Required Services for the Contract

Lodging/Overnight Accommodations	Zion Lodge
Food and Beverage	Food and beverage outlets offering a variety of service styles (full service at Zion Lodge Dining Room, quick service and snacks at the Snack Bar).
Retail	Retail facilities at the Zion Lodge.
Pay Telephones	Pay Telephones

The Concessioner is authorized but not required to provide the following visitor services during the term of the Draft Contract.

Authorized Services for the Contract

Step-on Guide Service	Interpretation service for tour bus groups
Transportation	Service from Zion Lodge to trailheads outside Zion Canyon; open air tram tours of Zion Canyon
Vending and Other Services	Limited vending throughout the Zion Lodge area complex, including beverages

Annual Total Gross Receipts

2001	2002	2003	2004	2005
\$7,184,405	\$7,834,098	\$8,710,270	\$9,043,462	\$9,486,035



Required Facility Maintenance Expense

Five percent (5.0%) of annual gross receipts.

Required Repair and Maintenance Reserve

Five percent (5.0%) of annual gross receipts.

Minimum Franchise Fee

Twelve percent (12.0%) of annual gross receipts.

Term of Draft Contract

10 years starting January 1, 2009

The effective date of the contract is subject to change prior to contract award if determined necessary by the Service due to transfer timing issues. The expiration date of the Draft Contract will be changed to continue the same term length from any changed effective date.

Estimated Required Initial Investment

There is no Possessory Interest or required real property capital investment associated with the Draft Contract. Under the Existing Contract the Existing Concessioner must sell and transfer to the successor all other property of the Concessioner used or held for use in connection with such operations. The Existing Contract also provides that the Service will require the new Concessioner to purchase this property.

Concessioner-Owned Personal Property	\$1,390,000
Inventory	\$ 406,000
Start-Up Costs	\$ 344,000
Total	\$2,140,000

No Preferred Offeror

The Director has determined that no Preferred Offeror for this Draft Contract exists pursuant to the terms of 36 CFR Part 51. This solicitation for commercial services is fully competitive.



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INTRODUCTION

The National Park Service (Service) seeks proposals for the major concession operation in Zion National Park (Park). This Prospectus describes in general terms the existing business operations and the future business opportunities for the facilities and services required by the Service. Offerors are responsible for reviewing all sections of this Prospectus and, specifically, the terms and conditions of the attached Draft Concession Contract CC-ZION003-09 (Draft Contract), including its exhibits, to determine the full scope of a future Concessioner's responsibilities under the Draft Contract. The Service is conducting this solicitation in accordance with the National Park Service Concessions Management Improvement Act of 1998 (PL 105-391) as implemented by the Service in 36 C.F.R. Part 51. This Prospectus is issued under the authority of 36 C.F.R. Part 51. In the event of any inconsistency between the terms of this Prospectus and 36 C.F.R. Part 51, 36 C.F.R. Part 51 will control. In the event of any inconsistency between the terms of the Draft Contract and this prospectus, the Draft Contract will control. Copies of PL 105-391 and 36 C.F.R. Part 51 are included as Appendices to this Prospectus.

The term "Concessioner" as used in this Prospectus refers to the entity that will be the concessioner under the Draft Contract. The term "Existing Concessioner" refers to Xanterra Parks and Resorts, Inc., the concessioner under the existing concession contract (Existing Contract). The Existing Contract, as amended, is included as an Appendix to this Prospectus.

The National Park Service and its Mission

America's National Park Service was created by Congress to:

...conserve the scenery and the natural and historic objects and the wild life therein, and to provide for the enjoyment of the same in such a manner and by such means as will leave them unimpaired for the enjoyment of future generations. (*16 USC 1*)

Additionally, the Congress has declared that the National Park System should be:

...preserved and managed for the benefit and inspiration of all the people of the United States. (*16 USC 1a-1*)

To learn more about the National Park Service, visit our website at www.nps.gov. This site includes information about who we are, our mission, Service policies, and individual Park information.



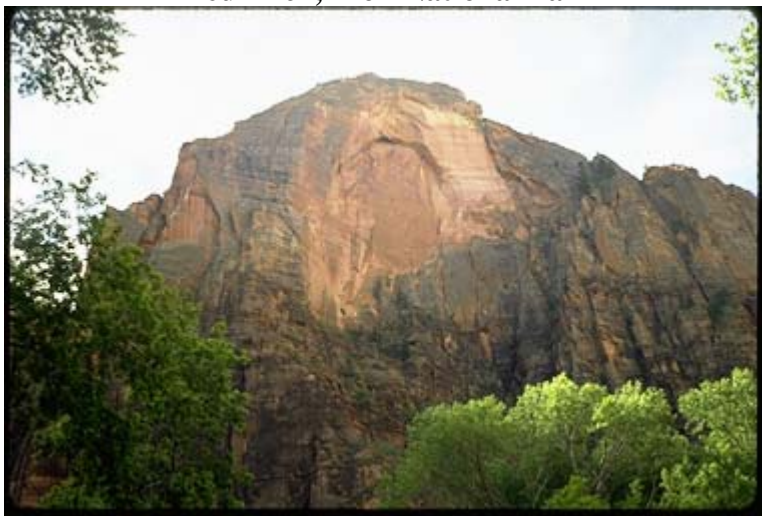
MISSION OF ZION NATIONAL PARK

Zion National Park is one of the earliest additions to the national park system. On July 31, 1909, President William Howard Taft issued a proclamation setting aside 15,200 acres as Mukuntuweap National Monument. In 1918 another presidential proclamation enlarged the monument to 76,800 acres and changed its name to Zion National Monument. Congress established the area as a national park in 1919. A second Zion National Monument (now called the Kolob Canyons) was established by presidential proclamation in 1937. Congress added the Kolob Canyons to Zion National Park in 1956. The Park currently encompasses 148,016 acres.

Based on Zion's enabling legislation, legislative history, and agency management policies, the purposes of Zion National Park are to:

- Preserve the dynamic natural process of canyon formation as an extraordinary example of canyon erosion;
- Preserve and protect the scenic beauty and unique geologic features: the labyrinth of remarkable canyons, volcanic phenomena, fossiliferous deposits, brilliantly colored strata, and rare sedimentation;
- Preserve the archaeological features that pertain to the prehistoric races of America and the ancestral Indian tribes;
- Preserve the entire area intact for the purpose of scientific research and the enjoyment and enlightenment of the public; and
- Provide a variety of opportunities and a range of experiences, from solitude to high use, to assist visitors in learning about and enjoying Park resources without degrading those resources.

Exhibit 1 Red Arch, Zion National Park



Source: National Park Service



The Service clarified the Park purposes through the following significance statements, as listed in the Zion National Park Strategic Plan:

- Geology - Zion National Park: nowhere else on earth do the three forces of deposition, uplift, and erosion come together in such intimate and scenic fashion.
- Biologic Diversity, Natural Processes, and Wilderness - Zion National Park contains many diverse organisms. It preserves ongoing natural processes—geological (on-going canyon formation) and biological—which we deem inherently valuable. Zion's many diverse and scientifically valuable resources are located in a wild land with few modern, man-made improvements. As such, they provide outstanding opportunities for preservation, study, and enjoyment.
- Human Use - Zion National Park contains a record of important, past human activity which provides guidance on the sustainable future use of this and other lands.

Additional information about the Park is available at www.nps.gov/zion.

Exhibit 2 Zion Area Map



Source: National Park Service



MARKET AREA OVERVIEW

Market Area Assessment

Zion National Park is situated in Washington, Kane, and Iron Counties, in Southern Utah. Zion National Park is accessible via Interstate Highway 15 or Utah Highway 9.

Covering approximately 2,430 square miles, Washington County ranks as Utah's 15th largest county, yet ranks as the State's 6th largest county in terms of population.¹ Only 17.7% of Washington County's land base is owned by the private sector; the Bureau of Land Management (40.6%), the U.S. Forest Service (22.2%), and the National Park Service (8.5%) combine to administer 71.3% of the County's land base. The State owns 5.8% of the land while Indian Reservations account for approximately 1.8% of the land.²

Resident Demographics

As of July 1, 2000, Washington County's population was approximately 91,104. Between 2000 and 2004, the County's population grew at a compound annual growth rate (CAGR) of 6.5%. The decade earlier, between 1990 and 2000, the County experienced similar population growth rates averaging 6.5% per year, compared with 2.7% per year state wide over the same period. According to the Utah Division of Demographic and Economic Analysis, Washington County's population is projected to increase to 251,896 people by 2020, which translates to a compound annual growth rate of approximately 4.8% over the next 15 years. These past growth rates and anticipated future growth rates make Washington County one of the fastest growing counties in Utah (in percentage terms). Exhibit 3 below shows actual and projected population data for Washington County and Utah.

Exhibit 3

Actual and Projected Population Data for Zion National Park Region and the State of Utah

	1990	2000	2010	2020	CAGR 90-00 (Actual)	CAGR 00-20 (Projected)
Washington County	48,560	91,104	162,544	251,896	6.5%	5.2%
Utah	1,772,850	2,246,553	2,787,670	3,371,071	2.7%	2.0%

Source: 2004 & 2005 Economic Report to the Governor

Approximately 54% of Washington County's residents live in St. George, the county seat. Due to the region's geography and highway system, St. George is about 42 driving miles from Zion

¹ U.S. 2000 Census

² Utah 2004 State and County Economic and Travel Indicator Profiles



National Park, with a driving time estimated to be 48 minutes.³ Hurricane, La Verkin, and Springdale are the three most populated cities in proximity to Zion National Park, reporting 2004 populations of 10,676, 4,200, and 575, respectively.⁴ Springdale is nearest to Zion National Park and is located adjacent to the Park's South Entrance. La Verkin is 16 miles from Zion National Park and an average driving time of 30 minutes. Hurricane is approximately 18 miles from Zion National Park with an average driving time of 33 minutes.

As shown in Exhibit 4 below, 2003 per capita income in Washington County was \$20,084, the eleventh lowest in the state out of twenty nine counties. In 2004 the average monthly wage rate in Washington County was \$2,025, which was also ranked as the eleventh lowest in the state out of twenty nine counties. The three largest employment sectors in Washington County in 2004 were Public Education, Health Care, and Discount Department Stores (e.g., Wal-Mart).

Exhibit 4
Average Per Capita Income

Per Capita Income	1990	2003	CAGR
Washington County	\$12,532	\$20,084	3.7%
Utah	\$14,913	\$25,407	4.2%

Source: Washington Demographic and Economic Profile, Utah Department of Workforce Services; Governors Office of Planning & Budget

Virtually all of the communities in the area of the Park derive benefit from their proximity to the Park. However, the Park and the facilities therein essentially operate independently of these surrounding areas. As a result of the limited population and infrastructure in these relatively undeveloped areas of southern Utah, the nearby communities have little effect on the concession as a direct source of guests or employees and support services. They do, however, provide overflow lodging for the Park and thus, staging points for many day visitors traveling to the Park.

Competitive Setting

Springdale

Springdale, Utah, is the closest community to Zion National Park. Due to its proximity to Zion National Park and the development of the Park's visitor transit system which ties Springdale to the Park, the city has become the primary staging area for day visitors into the Park. As visitation to the Park has steadily grown, Springdale has developed fairly sophisticated shopping, dining, and lodging opportunities for regional visitors.

Springdale provides the greatest number of hospitality options of any community in proximity to Zion National Park. In addition, because Springdale is adjacent to the Park's South (and

³ Mapquest Driving Directions

⁴ St. George Area Chamber of Commerce



primary) entrance it has developed into the primary Park visitor alternative to the Park concession for lodging, food and beverage, and retail services. Accordingly, the market overview focuses on Springdale and to a lesser degree, the towns of Hurricane and Mt. Carmel Junction, both of which provide a significant level of commercial services to Park visitors.

Lodging Sector

According to the Zion Canyon Visitors Bureau, there are approximately 705 hotel rooms in the Springdale area; a figure which includes bed and breakfasts. 2005/06 rates ranged from about \$40 to \$250, with the majority of properties offering rates in the \$70 to \$100 range. In early 2006, there are approximately 21 hotels, motels, and bed and breakfasts in Springdale. There are an additional 20 hotels, motels, and bed and breakfasts in the surrounding towns of Rockville (5), Virgin (2), Hurricane (7), and Mt. Carmel Junction (6). Thus Springdale has more lodging opportunities than the other four communities combined⁵.

The busiest season is fall, and hotels in Springdale run occupancies of 95% to 100%. In the spring, occupancies run at approximately 85% to 90%. Occupancy rates fall to around 50% during the winter months.

Exhibit 5 presents key tourism indicators for the Springdale-Hurricane market region. From Exhibit 5 the highly seasonal nature of the Springdale-Hurricane tourism market is evident. For example, revenue generated by each available room (RevPAR) is nearly five times greater in September than in December and January. Exhibit 6 graphically presents average monthly occupancy for the Springdale-Hurricane region. It should be noted that because Exhibit 5 aggregates Hurricane and Springdale occupancy data, average daily rate (ADR), and RevPAR data, Exhibits 5 and 6 should not be considered representative of Springdale lodging performance, as Hurricane values are lower, thus reducing the average monthly aggregated values.⁶ Exhibit 6 nonetheless reveals that, indeed, the fall months of September and October are the busiest time of year, with occupancy rates increasing steadily through the spring months of April and May, and into the early summer month of June. However, in the mid-summer months of July and August, there is a slight decrease in occupancy rates, since these are the hottest months of the year.

⁵ Zion Canyon Visitors Bureau

⁶ Hotels/Motels in Smith Travel Research Study: Hurricane: Travel Lodge (63 rooms); Super 8 (52 rooms); Comfort Inn (53 rooms); Motel 6 (53 rooms); Days Inn (40 rooms); Springdale: Best Western Zion Park Inn (120 rooms); Quality Inn at Zion Park (42 rooms); Rodeway Inn (36 rooms).

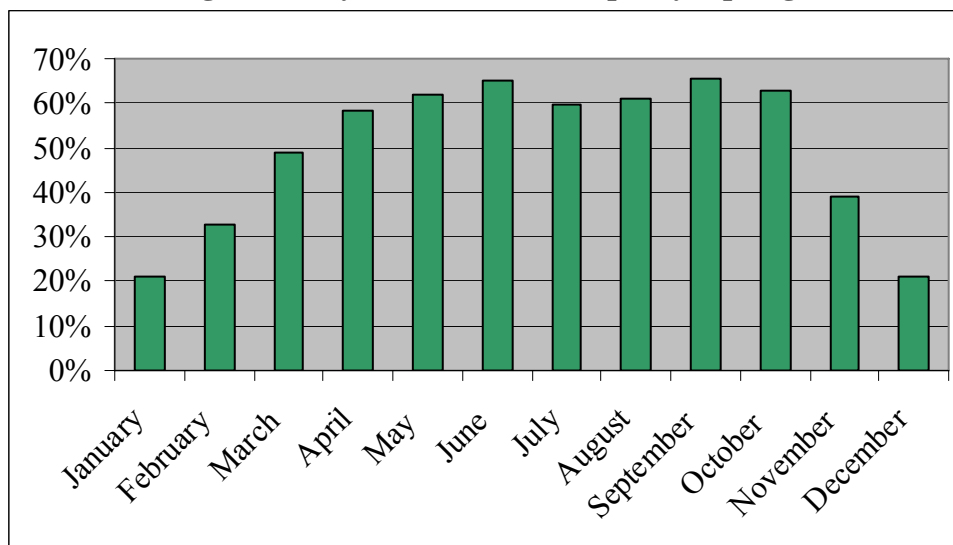


Exhibit 5
2002-2004 Tourism Indicators for Springdale-Hurricane Area

	Average Occupancy Rate	ADR	RevPar
January	21.0%	\$44.46	\$9.32
February	32.8%	\$51.94	\$17.06
March	48.9%	\$55.24	\$27.03
April	58.3%	\$63.63	\$37.09
May	61.8%	\$65.16	\$40.24
June	65.2%	\$66.07	\$43.04
July	59.5%	\$67.68	\$40.27
August	61.0%	\$66.69	\$40.66
September	65.4%	\$66.38	\$48.34
October	62.8%	\$65.42	\$41.09
November	39.2%	\$51.75	\$20.31
December	21.2%	\$45.07	\$9.55

Source: Smith Travel Resource Market Trend Report, Springdale-Hurricane

Exhibit 6
2001-2005 Average Monthly Hotel/Motel Occupancy, Springdale-Hurricane



Source: Smith Travel Resource Market Trend Report, Springdale-Hurricane

Significant further expansion of lodging services in Springdale, at least in the near term, is not anticipated due in large part to the limited availability of land in the area. Local area economic development, visitors bureau and chambers of commerce did not describe new commercial developments pending in Springdale or in the surrounding communities that would have meaningful impact on the local competitive market environment, including concession operations within the Park. There has been no significant change in recent years in the level and nature of lodging demand in Washington County.

Most of the hotel, motel, and B&B owners/operators in Springdale and Mt. Carmel Junction have very little direct competition with the concession lodge. Some of the hotel business in



Springdale and Mt. Carmel Junction derives from concession overflow (visitors who would otherwise choose to stay in the Park if rooms were available). Some business owners, however, feel they have established their own clientele and are not dependent on Park concession overflow.

Food & Beverage

Most local restaurant/café owners feel that the level of competition with the concession restaurant services is minimal and that they simply do not compete with concession restaurant services for several reasons. First, local restaurants/cafes believe they are offering differentiated dining compared with the concession lodging restaurant and thus attract an independent clientele. Second, many restaurant managers/owners indicate that concession lodging guests made up a small percentage of their daily clientele with estimates between 5% and 10%. Local restaurant managers/owners indicated that lodging guests tend to dine at the concession restaurant for lunch and dinner rather than make the trip into town. For this reason, local restaurants believe they are serving a different market: individuals who lodge in town versus individuals who lodge in the Park.

Retail

Most local retail businesses in Springdale have indicated that they feel no competition with concession retail services. In addition retail owners/managers believe that the vast majority of their clientele are composed of shoppers lodging in town, with only a small percentage of patrons being concession lodging guests. No significant changes in the competitive environment have been observed in recent years. Retail shop owners/managers have expressed no major concerns regarding the current or future local business environment and possess an optimistic outlook on future sales, as business continues to improve over previous years. Similar to the food and beverage sector, the retail sector in Springdale appears to be largely independent of the concession operations, as the majority of sales are derived from in town lodging guests and concession retail operations do not appear to be a significant source of competition.

Conclusion

The market assessment for the Zion National Park concession indicates negligible current and anticipated future competitive pressure on the operation due to the desirable and unique location of the Zion National Park concession compared to the less desirable overflow locations of the surrounding communities, including Springdale, Mt. Carmel Junction, and Hurricane. Limited land availability in these communities, particularly Springdale, pose further limits to future hospitality expansion in this region. In addition, the strength of tourism in this market region appears to be strong. 2003 tourism spending in Washington County, at around \$523.5 million, was the second largest in the State, representing 11.3% of total Utah tourism spending. Furthermore, visitation to Zion National Park has continued on a slight upward trend, increasing at a compound annual growth rate of 1.8% from 1991 to 2004. These findings provide strong support for the conclusion that the Zion National Park concession's historically stable sales performance may be maintained without competitive challenge during the term of the next contract.



ZION NATIONAL PARK

Exhibit 7 West Temple, Zion National Park



Source: National Park Service

Zion National Park is located in southwestern Utah, and is part of the Southwest's "Grand Circle" of national parks, monuments, and recreation areas. Most visitors reach the Park via Interstate 15 and State Route 9. The Park consists of 148,016 acres and is open to the public year round. The Park is characterized by high plateaus, a maze of narrow, deep, sandstone canyons, and striking rock towers and mesas.

Weather

Zion Canyon weather is generally mild in the winter and hot in the summer. During the primary summer season daytime temperatures usually range from 90 to 100 degrees Fahrenheit.

Exhibit 8 Climate of Zion National Park

Zion National Park - Monthly Climate Normals													
(in Fahrenheit)													
	All Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
High Temperature	78	62	64	75	83	90	99	103	100	95	85	68	62
Low Temperature	44	22	23	30	37	47	56	66	64	53	40	33	22
Avg. Temperature	61	40	45	50	58	67	78	84	82	74	63	50	41
Average Rainfall	15.4	1.6	1.6	2.0	1.2	0.8	0.5	1.3	1.8	1.0	0.9	1.5	1.3

Source: Western Regional Climate Center



Park Visitation

Most visitors arrive by private automobile or on tour buses. There are three entrances to the Park, two located on State Route 9 and one off Interstate 15 at Kolob Canyons. The closest airports with year round scheduled flights are in St. George and Cedar City, Utah, and Las Vegas, Nevada.

An analysis of the 1991 through 2005 National Park Service visitation data for Zion National Park indicated that recreational visitation accounts for approximately 99.1% of total visitation on average. Therefore, the figures in this section simply reflect total visitation.

Exhibit 9
Annual Zion National Park Visitation, 1991 to 2005

	Visitation	% Change
1991	2,127,812	
1992	2,258,985	6.2%
1993	2,371,367	5.0%
1994	2,292,773	-3.3%
1995	2,452,059	6.9%
1996	2,519,902	2.8%
1997	2,467,434	-2.1%
1998	2,391,944	-3.1%
1999	2,471,563	3.3%
2000	2,454,245	-0.7%
2001	2,249,387	-8.3%
2002	2,614,445	16.2%
2003	2,484,130	-5.0%
2004	2,699,241	8.7%
2005	2,586,665	-4.7%
Average	2,429,463	
CAGR	1.4%	

Source: Public Use Statistic website (<http://www2.nature.nps.gov/stats/>)

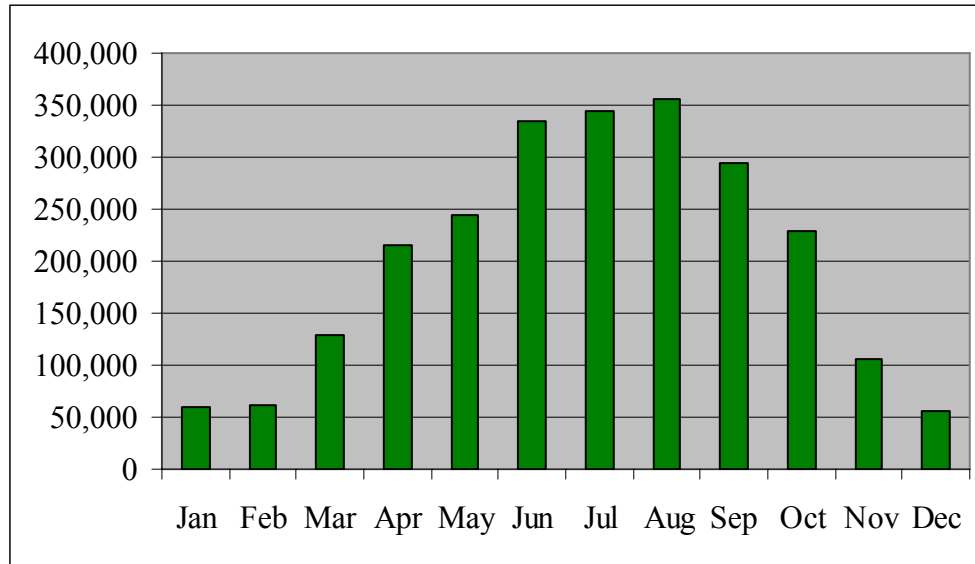
Exhibit 9 shows estimated annual total Zion National Park visitation for the 14-year period 1991 to 2005. The exhibit indicates that during this period Zion National Park averaged about 2,429,463 visits per year, peaking at 2,699,241 visits in 2004. The exhibit further shows that visitation to the Park during the period trended upward at a compound annual growth rate (CAGR) of 1.4% per year. For comparison, total recreation visitation in the entire National Park Service System increased at a compound annual rate of only 0.26% during the same period.⁷

⁷ National Park Service System Visitation Report



Total visitation to Zion National Park increased at a rate approximately seven times greater than for the entire National Park System over the period 1991 to 2005. The substantial decline in 2001 is attributed in large part to the events of September 11, with a clear rebound in the subsequent year.

Exhibit 10
Average Monthly Zion Visitation, 1991-2004



Source: Public Use Statistic website (<http://www2.nature.nps.gov/stats/>)

Exhibit 10 illustrates historical monthly visitation trends at Zion National Park.

Geographic Layout

The developed area at Zion National Park is located in three general areas, with buildings concentrated at the Park Headquarters area, Zion Canyon, and to a lesser degree at Kolob Canyons.

The main Lodge and all associated buildings that provide overnight accommodations, main food service and merchandising, are located within Zion Canyon, which is the most visited area in the Park.



Exhibit 11 Map of Zion Canyon



Source: National Park Service (www.nps.gov/zion)



Zion Canyon Transportation (Shuttle) System

Visitors can access the Zion Canyon Scenic Drive only by shuttle bus from early April through the end of October. Private vehicles are not allowed in Zion Canyon during this timeframe unless they have reservations at the lodging facility in the Park. The shuttles operate in two loops, one making six stops in the town of Springdale and the other making eight stops at points of interest in the Park. There is no charge for riding on the shuttle.

Exhibit 12 Zion Transportation System, Zion National Park



Source: National Park Service

Other Commercial Visitor Services

In addition to the services provided under the Existing Contract, two other entities provide visitor services within Zion National Park under concession contracts. Bryce-Zion Trail Rides, Inc., provides guided interpretive trail rides. Its 2005 sales were approximately \$317,820. And the Zion Natural History Association (ZNHA) has a contract to provide visitor convenience items at the Zion National Park Visitor Center. Its 2005 sales under that contract were approximately \$140,452. In addition to the visitor convenience items sold by the ZNHA, it also sells interpretive items at three locations in the park under a cooperative agreement with the National Park Service.



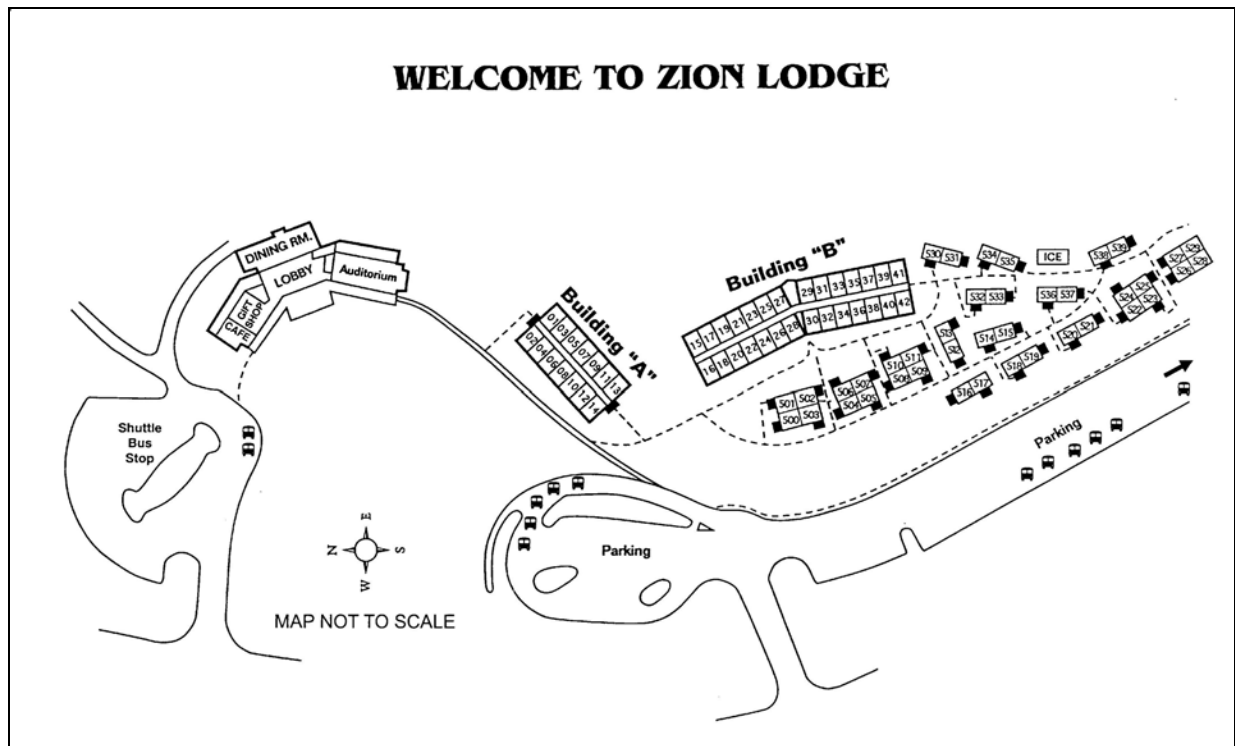
EXISTING CONCESSION OPERATION

The Existing Contract between the Service and the Existing Concessioner was effective beginning in 1984, originally expired on December 31, 2003, and has been extended or continued until December 31, 2007. The Existing Contract includes the following operations within Zion National Park:

- Lodging accommodations at the Zion Lodge
- Food and beverage outlets
 - Full service at Zion Lodge Dining Room
 - Quick service and snacks at the Snack Bar
- Retail facilities at the Zion Lodge
- Interpretive tram tours
- Other services, including but not limited to vending.

The facilities are open year-round. The details of each service are provided in the following pages.

Exhibit 13
Xanterra Parks and Resorts Lodge Guest Orientation Map



Source: Xanterra Parks and Resorts, Inc.



Lodging

The lodging facilities at Zion National Park operate at near capacity throughout the late spring months, all summer months and remain at high occupancy into the fall. The highest average occupancy rates for the concession lodge are from May through October, with a historical occupancy rate of 99% in each of those months. The lowest average occupancy rates occur during the winter months of January and February at around 30%. The lodging facilities act as the focal point of other concession operations with a large share of the concession's food and beverage and merchandise receipts deriving from those same overnight guests.

Exhibit 14 Zion Lodge Main Building



Source: National Park Service

The original Zion Lodge (Lodge) building, designed by noted architect Gilbert Stanley Underwood, was destroyed by fire in 1966 and rebuilt using different plans. The building was remodeled in 1992 to bring it back to the appearance of the Underwood-designed building. Lodging facilities are comprised of 82 motel units and 40 cabins. The Lodge features a dining room, snack bar, and gift shop.



Exhibit 15
Zion Lodge Rooms and Rates

Unit Type	Number	2003	2004	2005	2006	2007
Motel Unit	82	\$ 117.00	\$123.00	\$129.00	\$139.00	\$149.00
Western Cabin Units	40	\$125.00	\$131.00	\$139.00	\$149.00	\$159.00

Source: National Park Service

Western Cabins are historic structures located near the main Zion Lodge building. Each structure has either two or four 375-square-foot lodging units. Each unit is made up of three rooms: a sleeping room generally with two queen beds, table and chairs; a bathroom with a full tub, shower, toilet and vanity; and a dressing room with a vanity and luggage rack. Each cabin was remodeled as of 1997. Each unit has its own outside porch entrance with a wrought-iron bench. Most of the cabins have a connecting door to a second unit. All units have working gas fireplaces, art work, tiled bathrooms and all new furnishings.

The *Motels* are two two-story structures located near the main lodge. Motel Building A has 28 310-square-foot units in it and Motel Building B is a much larger building with 54 units. Motel Building B also contains a laundry capable of laundering the sheets and towels used for the lodging operation. Each motel unit is made up of three rooms: a sleeping room with two queen beds, a bed-side table, chest of drawers with mirror, table and chairs; a room leading from the sleeping area to the bathroom, containing a vanity; and a bathroom with a shower and toilet.



Exhibit 16
Zion Lodge – Motel Unit A



Zion Lodge – Motel Unit Interior



Source: National Park Service



Zion Lodge - Western Cabins



Zion Lodge - Western Cabin Interior



Source: National Park Service

Food and Beverage

Exhibit 17 Zion Lodge Dining Room



Source: National Park Service

The Existing Concessioner operates two food and beverage outlets plus a coffee bar. The 2,700 square foot Zion Lodge Dining Room provides full-service dining. It serves three meals each day and offers a range of food at a variety of price points, with a slight emphasis on fine dining entrees. In general, entrée prices for breakfast vary from \$4 to \$8, lunch from \$5 to \$10, and dinner from \$11 to \$21. The Lodge Dining Room has the highest entrée prices during its dinner meal, offering fine dining entrees such as Blackened Chicken with Mango Salsa and Trout Amandine. There are 240 seats available, and the dining room operates at or near capacity during most of the peak operating season. In addition to these 240 indoor seats, an outdoor seating area adds 40 seats. The Lodge Dining Room serves alcoholic beverages.

The second food and beverage outlet is a snack bar located near the main lobby of the Lodge, with 80 indoor seats and 40 outdoor patio seats. Food at the snack bar is a quick-service type facility open for lunch and dinner daily. It may be open for breakfast as well. Menu items are offered at price points ranging from \$7 to less than a dollar. The coffee bar, located in the Lodge lobby, serves coffee and pastries typical of a coffee bar. Each outlet remains open throughout the peak operating season. The snack bar may close during the off-season with the approval of the Superintendent.



Exhibit 18 Zion Lodge Snack Bar



Source: National Park Service

Retail

The Concessioner 2,000 square foot retail outlet is located in the main Zion Lodge building. It offers a wide range of clothing, jewelry, film and souvenir items.

Exhibit 19 Zion Lodge Gift Shop



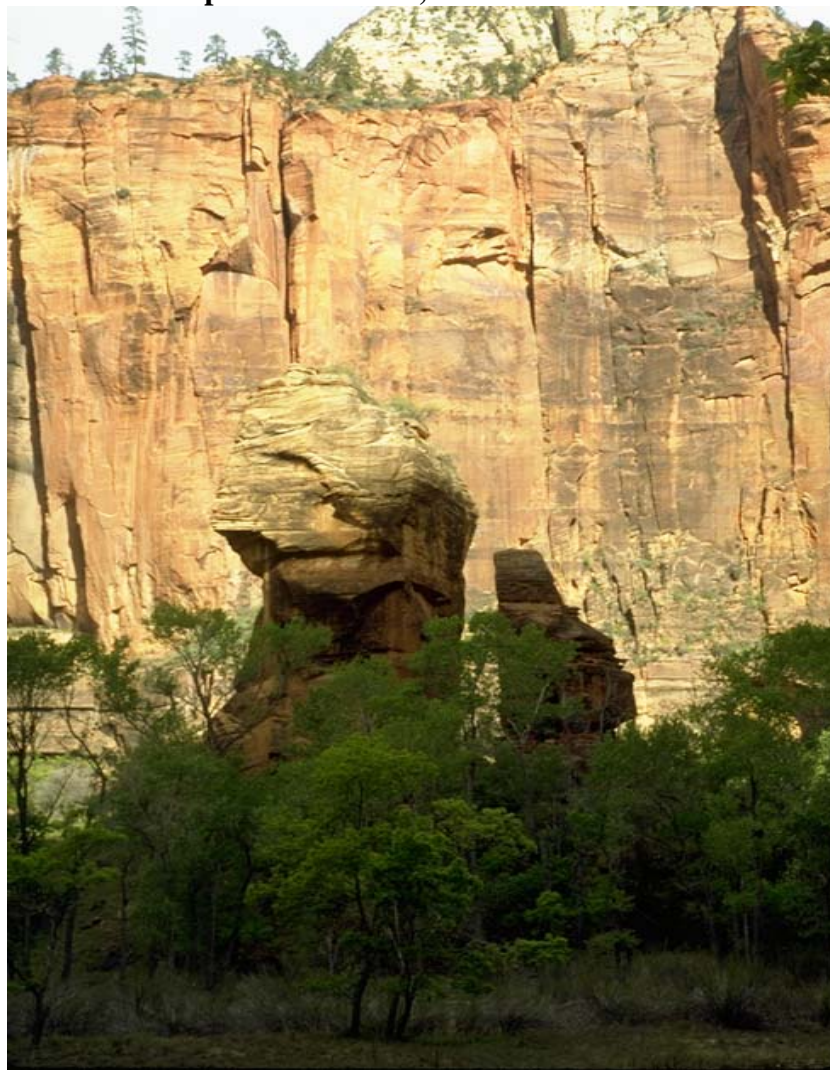
Source: National Park Service



Tram Tours and Other Services

Other visitor services include tram tours, vending machines, and pay telephones. The Existing Concessioner provides a reservation-only open-air tram interpretive tour in Zion Canyon between the Zion Lodge and the Temple of Sinawava. The tour is narrated by a Concessioner employee who provides park approved interpretive information. This service is available to groups. Tour bus groups provide most of the demand for this service since buses are not allowed in Zion Canyon past the Lodge. The tram seats 42 passengers and operates during daytime hours between April and October. In 2005, 6,104 visitors took the tour, which generated \$38,826 in revenue for the operation.

Exhibit 20
Temple of Sinawava, Zion National Park



Source: National Park Service



FUTURE CONCESSION OPERATIONS

The Draft Contract will require no new services and facilities, only the continuation of the existing services and facilities. The required and authorized services in the Draft Contract are identified below. In case of any inconsistency between this section and the attached Draft Contract, the attached Draft Contract will control.

Required and Authorized Services

Required Visitor Services. The Concessioner is required to provide the following visitor services during the term of this Contract:

- Lodging/overnight accommodations at the Zion Lodge.
- Food and beverage outlets offering a variety of service styles (full service at the Lodge dining room, quick service and snacks at the Snack Bar).
- Retail facilities at the Lodge Gift Shop.
- Pay telephones.

Authorized Visitor Services. The Concessioner is authorized but not required to provide the following visitor services during the term of this Contract:

- Step-on interpretive guide service.
- Open air tram tours of Zion Canyon.
- Transportation service from Zion Lodge to trailheads outside Zion Canyon.
- Limited vending throughout the Zion Lodge area complex, including beverages.

Essential operating and maintenance requirements for each required service are provided in the operating and maintenance plans, which are a part of the Draft Contract.

Recreation Hall/Offices

The recreation hall and office building is part of the Concessioner's land and real property assignment under the Draft Contract. It is a 5,900 square foot building constructed in 2000 and contains a large employee recreation area and several offices.



Exhibit 21 Recreation Hall/Offices



Source: National Park Service



Employee Housing

The Draft Contract requires the Concessioner to provide employee housing, food, and recreation programs. Refer to Draft Contract Exhibit B, Section 2E(9). The Concessioner is allowed to charge employees only a sufficient amount to recover the cost of providing these services.

Exhibit 22 outlines the number of employees housed in each dormitory assigned and managed by the Concessioner. The housing units are all within walking distance to the Lodge. Not including 10 RV sites, the total capacity for employee housing is 148 people, based on two beds per room in all of the dormitories. The Existing Concessioner has dedicated one dormitory, Box Elder, to single status occupancy for managers, supervisors, and those who work late night shifts. There are also 10 RV sites (that may be expanded slightly prior to the start of the new Contract) available with full hookups within the employee housing area. After award, the Park will consider proposals to convert the Concessioner's office space within the Recreation Facility to employee housing if desired by the Concessioner.

Exhibit 22
Employee Housing by Unit

Units	Rooms
Overlook Dormitory	24
Canyon Vista Dormitory	14
Cottonwood (Chalet) Dormitory	12
Box Elder Dormitory	24
RV Sites	10

Source: National Park Service

External Factors

Several external factors may affect the Draft Contract. Prospective offerors should consider the potential effects of these factors when preparing their proposals. The Service considered these factors while developing this Prospectus and the estimates contained herein.

- **Work Environment:** The concession operation is within the boundaries of Zion National Park and, therefore, is subject to compliance with Applicable Laws, including, but not limited to, all National Park Service regulations and policy, the National Environmental Policy Act (NEPA), and Section 106 of the National Historic Preservation Act. The Concessioner must operate its business in a manner that addresses protection of night skies, soundscape management, use of sustainable building materials, environmentally green products and water conservation.
- **Climate:** Zion National Park experiences varying weather conditions, including extreme summer heat. These conditions can result in additional maintenance needs. Equipment may require special care to keep it operable.



- **Historic Structures:** The Zion Lodge and Birch Creek Complex are listed in the National Register of Historic Places as historic districts with each building as a contributing feature. These districts include two dormitories and 40 cabin units at the Zion Lodge and an office/recycling facility (HS-86) in Birch Creek. The buildings, lawn, parking areas, and pedestrian/traffic circulation patterns in both areas contribute to a historic cultural landscape and require certain maintenance requirements related to building, lawn, and vegetation maintenance. Building maintenance on all historic buildings must meet Secretary of the Interior Standards for Treatment and Rehabilitation of Historic Buildings in accordance with Section 106 of the National Historic Preservation Act, as amended.
- **Remoteness, Supply, and Logistical Issues:** Unlike a major metropolitan area, the number of locally available contractors, suppliers, and human resources is very limited. As a result, the Concessioner must recruit firms from outside the area, incurring additional costs for housing, transportation, etc., or else the Concessioner must undertake services internally that might otherwise be outsourced.
- **Support Facilities:** The Draft Contract will assign New Concessioner the following support buildings. Other support needs must be met outside the boundaries of Zion National Park.
 - Maintenance Building, HS-87 – Used by the Existing Concessioner for maintenance storage and a small office area, this rectangular one story building is 20' x 24' (480 sq. ft.) and has a gabled roof and wood shingles. The building was built in 1929 and, although not eligible for listing in the National Register, is listed on the Park's List of Classified Structures as a historic resource. The building has electric utilities.
 - Maintenance Building (proposed) – Proposed for construction in 2007, this one story building will measure 28' x 12' (336 sq. ft.) and will be used for maintenance storage. The building will have electric utilities.
 - Maintenance Building, HS-86 – Used by the Existing Concessioner for storage and as a recycling center, this rectangular one story building is 54' x 24' (1296 sq. ft.) and has a gabled roof and corrugated metal siding on stud frame. Built in 1926 and located in the Birch Creek Historic District, the building is listed in the National Register of Historic Places. Major rehabilitation of the building in 2007 will reconfigure interior space for storage, construct an office area, and install a restroom facility. The building has electric and water utilities.
 - Recreation Facility – Used by the Existing Concessioner for office space and employee recreation use, this building was constructed in 2000 and measures 75' x 87'. The building is 5,900 sq. ft. with approximately 4,770 sq. ft. of actual floor space. At present approximately 1377 sq. ft. is used for office space comprising seven office areas. There are also two restrooms, an employee TV room and large exercise area including a basketball court. The building has electric and water utilities.



- Bake Shop, HS-205 – Used by the Existing Concessioner for storage, this rectangular one story building is 15' x 21' (315 sq. ft.) with a gabled roof and wood shingles. The building was built in 1931 and, although not eligible for listing on the National Register, is listed on the Park's List of Classified Structures as a historic resource. The building has no utilities.

FINANCIAL AND OPERATING DATA

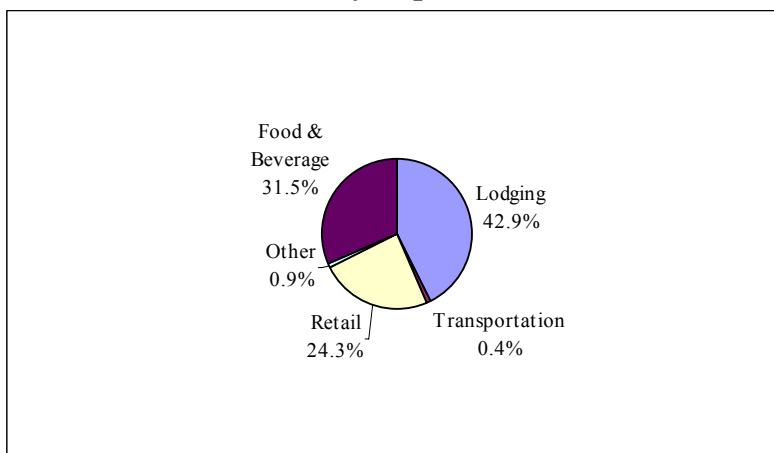
The Proposal Package requires Offerors to develop financial projections based on the businesses to be operated. In order to assist the Offerors in the development of these projections, information regarding historical utilization and operating data as well as some baseline projections for the services to be provided under the Draft Contract are presented on the following pages. Please note that operating projections are only estimates based on National Park Service assumptions that were developed taking into account publicly available historical data, industry standards, and other comparable facilities information.

Some or all of the projections may not materialize and unanticipated events may occur that will affect these projections. Due to the fact that authorized services are services that may or may not be offered by the Concessioner, the estimates provided do not include revenues or expenses associated with authorized services. The Offeror should be appropriately cautious in the use of all operating estimates. Although the Service does provide some financial projections, Offerors are responsible for producing their own prospective financial analyses and may not rely on the Service projections. The Service does not warrant and assumes no liability for the accuracy of the financial projections or estimates contained in this Prospectus.

Historical Contract Gross Receipts

The concession operation generated gross receipts from \$7 million to \$9.5 million annually from 2000 through 2005, respectively. Lodging, food and beverage, and retail accounted for approximately 40%, 30% and 25% of total concession gross receipts, respectively. Exhibit 23 displays the distribution of revenue by department for the Existing Contract.

Exhibit 23
Revenue Breakout by Department (2000 - 2005)



Source: Existing Concessioner Annual Financial Reports



Total concession gross receipts increased from 2002 to 2005 at an average annual rate of 3.6%, despite the slowing of the national tourism economy during that period. The following exhibit displays historical gross receipts from 2001 through 2005.

Exhibit 24
Total Concession Gross Receipts, 2001 to 2005

2001	2002	2003	2004	2005
\$7,184,405	\$7,834,098	\$8,710,270	\$9,043,462	\$9,486,035

Source: Existing Concessioner Annual Financial Reports

Lodging

The facilities at Zion Lodge include motel rooms and rustic cabins. Overall, there are 122 lodging units available at the Zion Lodge concession. Lodging is offered throughout the year. Lodging revenue increased from \$2.9 million in 2000 to \$3.8 million in 2004, growing at an average annual rate of 7%. Exhibit 25 outlines lodging department revenue from 2001 to 2005.

Exhibit 25
Lodging Departmental Revenue, 2001 to 2005

2001	2002	2003	2004	2005
\$3,119,248	\$3,434,805	\$3,819,420	\$3,840,712	\$4,031,895

Source: Existing Concessioner Annual Financial Reports

The inventory of lodging units is not expected to increase during the Draft Contract. Accordingly, projected lodging department gross receipts are assumed to be similar to historical departmental gross receipts and increase at the rate of inflation.

Exhibit 26
Lodging Revenue Projections

	2009	2010	2011	2012	2013
Gross Revenue	\$4,395,843	\$4,527,718	\$4,663,550	\$4,803,456	\$4,947,560
Change from Prior Year	3.0%	3.0%	3.0%	3.0%	3.0%

Source: National Park Service

Expenses

Lodging departmental expense is based on historical expenses and industry comparables. Lodging expenses are expected to increase at the rate of inflation. Lodging departmental expense estimates are projected to be as follows:

- Direct Labor 10-12% of departmental revenue
- Other Departmental Costs 14-20% of departmental revenue

Food and Beverage



Food and beverage (F&B) revenue is broken down into three sub-departments: restaurant, snack bar, and beverage. Most food and beverage sales occur at the Zion Lodge Dining Room, with almost 64% of total F&B gross receipts. The Snack Bar accounts for 27% of departmental gross receipts and beverage sales account for the other 9% of sales. Historical food and beverage gross receipts are shown in Exhibit 27 below.

Exhibit 27
Food and Beverage Departmental Gross Receipts, 2001 to 2005

2001	2002	2003	2004	2005
\$2,219,684	\$2,392,072	\$2,773,749	\$2,904,432	\$3,202,743

Source: Existing Concessioner Annual Financial Reports

Exhibit 28 presents a breakdown of the Zion Lodge concession's food and beverage gross receipts. During the period 2002-2005, beverage gross receipts experienced the greatest average annual growth of 14.2%, while to-go food and breakfast gross receipts fell at an average annual rate of 66.4% and 1.4% respectively. In total, the food and beverage department experienced 8.2% real sales growth over the period 2002 to 2005.

The number of meals sold by the Zion Lodge concession restaurant increased by an average annual rate of 3.7% during the period, with the total average check increasing at an average annual rate of 4.5%.

One explanation for increased real F&B sales from 2002 to 2005 is the substantial increase in bus visitation to Zion National Park (including tour buses) and Zion Shuttle use over this period. Bus and Shuttle visitors are more likely to dine in Zion National Park for many reasons, including long driving/wait times, less individual mobility to dine elsewhere, scheduled tour programs, and general inconvenience of leaving the Park to dine.

In the three-year period from 2002 through 2004, the number of total bus passengers increased from around 98,000 in 2002 to roughly 140,000 in 2004.⁸ This represents a total increase over the period of 43% in bus passenger visitation or an average annual increase of nearly 20%. In addition, the Zion Shuttle, which operates in April through October and opened in May of 2000, experienced ridership increases over this period. Estimated ridership in 2004 was 2,628,443, compared to approximately 2,354,158 in 2002, which represents an average annual increase in Shuttle ridership of 5.7% over this period.⁹ The Zion Shuttle system permits a greater number of visitors to enter the Park at a given time than when limited parking availability would effectively serve as a limit to Park visitation in the peak season (only overnight concession lodge guests are currently allowed to park in Zion Canyon).

As expected, since bus and shuttle visitors are mostly day visitors (i.e. are visitors who do not stay overnight at the Zion National Park concession lodge), the greatest increase in demand for F&B items is in lunch and snacks. According to Exhibit 28, beverage gross receipts increased at

⁸ National Park Service System Visitation Report

⁹ National Park Service Zion Park Profile



the fastest rate (14.2%) over the period 2002-2004, followed by lunch gross receipts (13.3%), and snack gross receipts (12.0%).

Exhibit 28
Food and Beverage Gross Receipts by Meal, 2002-2004

	2002	2003	2004
Breakfast	\$346,250	\$370,747	\$384,470
Lunch	\$279,778	\$318,180	\$410,684
Dinner	\$901,281	\$1,059,888	\$1,159,971
To Go Food	\$2,909	\$4,605	\$376
Snack Bar	\$638,261	\$737,363	\$914,963
Total Beverage	\$221,590	\$279,963	\$330,275
F&B Gross Receipts	\$2,392,072	\$2,772,749	\$3,202,743

Source: Xanterra Parks and Resorts

Exhibit 29
Food & Beverage Revenue Projections

	2009	2010	2011	2012	2013
Gross Revenue	\$3,322,439	\$3,422,112	\$3,524,776	\$3,630,519	\$3,739,435
Change from Prior Year	3.0%	3.0%	3.0%	3.0%	3.0%

Source: National Park Service

Expenses

Food and beverage departmental expenses are based on historical expenses and industry comparables for each type of facility. Departmental expense estimates are projected to be as follows:

- Cost of Goods Sold 24-28% of departmental revenue
- Direct Labor 26-30% of departmental revenue
- Other Departmental Costs 10-15% of departmental revenue

Retail

From 2001 to 2004, retail revenue grew by an average annual increase of 4.4%, with increases in the sub-categories of gift, handicraft, grocery and other merchandise sales. Photo sales were the only sub-category that showed a drop in revenue during this time period. There was a slight drop in 2005 total retail gross receipts (2.5%).

Retail is most dependent upon day visitors as a source of sales. As such, the increase in retail sales also corresponds to the increase during the period in bus traffic and shuttle ridership previously noted. The decrease in 2005 retail revenue (2.5%) is approximately half of the drop in 2005 park visitation (4.7%). Exhibit 30 details historical retail sales from 2001 to 2005.

Exhibit 30
Retail Sales Departmental Revenue, 2001 to 2005

	2001	2002	2003	2004	2005
Retail Sales	\$1,737,081	\$1,897,392	\$2,013,459	\$2,204,734	\$2,149,141



Source: Existing Concessioner Annual Financial Reports

The projections for Retail Department revenue assume that no substantive changes will be made to the retail facilities in the Draft Contract. Exhibit 31 details projected retail revenue.

Exhibit 31
Retail Sales Revenue Projections

	2009	2010	2011	2012	2013
Gross Revenue	\$2,392,156	\$2,463,921	\$2,537,839	\$2,613,974	\$2,692,393
Change from Prior Year	3.0%	3.0%	3.0%	3.0%	3.0%

Source: National Park Service

Expenses

Departmental expense estimates are projected to be as follows:

- Cost of Goods Sold 42-48% of departmental revenue
- Direct Labor 7-9% of departmental revenue
- Other Departmental Costs 7-9% of departmental revenue

Other Revenue

Other revenue is comprised of the following:

- **Transportation revenue**, from open air visitor tram tours of Zion Canyon, as well as vehicle and passenger shuttles from place to place within the Park;
- **Vending machine revenue**, which is derived from vending machines located throughout the Zion Lodge developed area, including employee areas,
- **Other miscellaneous revenue**, including telephone revenue and money collected from last-minute cancellations.

Exhibit 32 provides a summary of Other Revenue from 2001 to 2005.

Exhibit 32
Historical Other Revenue

2001	2002	2003	2004	2005
\$108,392	\$109,829	\$103,642	\$93,584	\$102,256

Source: Existing Concessioner Annual Financial Reports

Exhibit 33 details projected Other Revenue for 2009 through 2013.

Exhibit 33
Other Revenue Projections

	2009	2010	2011	2012	2013
Gross Revenue	\$112,452	\$115,825	\$119,300	\$122,879	\$126,565
Change from Prior Year	3.0%	3.0%	3.0%	3.0%	3.0%



Source: National Park Service

Total Estimated Future Revenue

Based on the previously detailed revenue estimates, Exhibit 34 presents total projected future gross receipts, which incorporate the anticipated future market conditions.

Exhibit 34
Total Estimated Future Gross Receipts

Department	2009	2010	2011	2012	2013
Lodging	\$4,395,843	\$4,527,718	\$4,663,550	\$4,803,456	\$4,947,560
Food & Beverage	\$3,322,439	\$3,422,112	\$3,524,776	\$3,630,519	\$3,739,435
Retail	\$2,392,156	\$2,463,921	\$2,537,839	\$2,613,974	\$2,692,393
Other	\$112,452	\$115,825	\$119,300	\$122,879	\$126,565
Total	\$10,222,890	\$10,529,576	\$10,845,464	\$11,170,828	\$11,505,953

Source: National Park Service

Based on industry trends and information available from each of the departments, the following undistributed and fixed expenses are projected:

- Undistributed Operating Expenses 12-15% of total revenue
- Insurance 1-2% of total revenue
- Facility Maintenance Expense 5%, as required by the Draft Contract
- Repair and Maintenance Reserve 5%, as required by the Draft Contract
- Personal Property Replacement 2-4% of total revenue

In preparing expense estimates, Offerors should take into account the following:

Operating Efficiencies with other Concession Contracts

The Existing Concessioner, Xanterra Parks and Resorts, Inc., currently benefits from efficiencies gained by also operating National Park Service concessions in Grand Canyon National Park, North Rim, (CC-GRCA002) and Bryce Canyon National Park (CC-BRCA003). The Existing Concessioner shares some support functions between the three operations even though these are separate and distinct contracts. The Service will not consider the award of GRCA002 or BRCA003 when selecting the best proposal for CC-ZION003-09. For the purpose of setting the minimum franchise fee, and forecasting expenses, the Service has assumed that the CC-ZION003-09 Draft Contract will operate on an independent, stand-alone basis. The Service issued CC-GRCA002 on November 3, 2006, and expects to publish a prospectus for the CC-BRCA003 operations before the award of the CC-ZION003-09 Draft Contract. Offerors may submit a proposal for any or all of these three concession contracts and may achieve similar efficiencies if awarded more than one.

Utilities

The Service provides water and sewer service to the Concessioner on a cost reimbursable basis. The Concessioner must obtain other utilities from outside providers. Information relating to current Service-provided utility rates can be found as an Appendix to the Prospectus.



REAL PROPERTY MAINTENANCE, REPAIR, AND REPLACEMENT

Facility Maintenance Expense Requirement

From 2001 through 2005, the historical routine repair and maintenance expenses ranged from 2.5% to 3.3% of gross receipts. Under the Draft Contract the Concessioner will be required to expend a minimum of five percent (5.0%) of gross receipts (as defined in the Draft Contract) on operational maintenance including repairs, cyclic and preventive maintenance, normally reoccurring within a seven year timeframe, as defined in Section 9(a) and Exhibit E, Maintenance Plan of the Draft Contract. This will translate to spending in excess of \$500,000 annually which the Service considers appropriate as a minimum expenditure to avoid future deferred maintenance.

Exhibit 35 presents a summary of projected future ordinary repair and maintenance expenses for 2009 to 2013 under the requirements by the Draft Contract.

Exhibit 35
Estimated Future Repair and Maintenance Expenses

	2009	2010	2011	2012	2013
Total Revenue	\$10,222,890	\$10,529,576	\$10,845,464	\$11,170,828	\$11,505,953
Repair & Maintenance	\$511,144	\$526,479	\$542,273	\$558,541	\$575,298
Percentage	5.0%	5.0%	5.0%	5.0%	5.0%

Source: National Park Service

Repair and Maintenance Reserve

The Draft Contract also requires the Concessioner to establish a Real Property Repair and Maintenance Reserve. Refer to Section 9(c) of the Draft Contract for guidance on the terms and conditions for the Repair and Maintenance Reserve. Under the Draft Contract, the Concessioner will be required to set aside and expend a minimum of five percent (5.0%) of gross receipts (as defined in the Draft Contract) on real property component renewal and replacement, normally occurring on a greater than seven year timeframe, as defined in Section 9(c) and Exhibit E, Maintenance Plan of the Draft Contract.

INVESTMENT ANALYSIS

The Existing Contract requires the Existing Concessioner to sell and transfer to the successor all other property of the Concessioner used or held for use in connection with such operations. A copy of the Existing Contract, CC-ZION003-85, as amended, can be found as an Appendix to this Prospectus. Service estimates of these costs are stated below.

Offerors should not rely on Service estimates in preparing and submitting proposals in response to this Prospectus. It is the responsibility of Offerors to make their own estimates of the compensation that must be paid to the Existing Concessioner under the terms of the Existing Contract. A list of possible property that may be required for purchase by the successful Offeror in accordance with the terms of the Existing Contract is included in an Appendix to this



Prospectus. The list is not necessarily complete. Offerors must make their own determinations as to the scope of property that is to be purchased from the Existing Concessioner.

Other Property

The Service estimated the fair value of Other Property to be sold and transferred by the Existing Concessioner to a successor at \$1,390,000. This estimate includes the personal property directly affiliated with the concessions operation that are owned and operated by the Concessioner. There are numerous items included within this group of property including fleet vehicles, equipment, and furniture. This estimate does not include personal property owned by the government that will be assigned to the Concessioner.

The Existing Contract also requires the Concessioner to purchase the inventory from the Existing Concessioner. The value of this inventory is projected to be \$406,000 based on historical inventory levels.

Dispute Resolution

If the Existing Concessioner and the Concessioner cannot agree upon the value of any item or items of Other Property, the resolution will occur by the process described in the Existing Contract.

Required Investment

The Service estimates the initial investment required of the Concessioner in Exhibit 36.

Exhibit 36
Estimated Required Initial Investment

Personal Property	\$1,390,000
Inventory	\$406,000
Start-Up Costs	\$344,000
Total	\$2,140,000

Source: National Park Service

FRANCHISE FEE

The minimum franchise fee under the Draft Contract is twelve percent (12.0%) of annual gross receipts.

TERM AND EFFECTIVE DATE OF DRAFT CONTRACT

This Draft Contract is for a term of ten years beginning on its effective date, estimated as January 1, 2009. The effective date of the Draft Contract is subject to change prior to contract award if determined necessary by the Service. The expiration date of the Draft Contract will be changed



if a material adjustment is made to the effective date that would significantly impact the business opportunity.

SITE VISIT

A one-day site visit will occur on the date listed on the front page of this Prospectus. At that time, an overview of the Park will be provided by Service concession management personnel, along with a tour of existing Concession Facilities associated with this Draft Contract. Please contact Jack Burns, Zion National Park, at (435) 772-0145 or jack_burns@nps.gov for logistical information regarding this site visit.

